

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 EURE-00 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 IO-13 NEA-10 NSAE-00

RSC-01 OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01

OMB-01 INT-08 SCEM-02 OIC-04 DRC-01 /146 W

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FM USMISSION OECD PARIS

TO SECSTATE WASHDC PRIORITY 626

INFO AMEMBASSY CANBERRA

AMEMBASSY LONDON

AMEMBASSY THE HAGUE

AMEMBASSY OTTAWA

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION USNATO

C O N F I D E N T I A L OECD PARIS 24376

E.O. 11652: XGDS

TAGS: ENRG, OECD

SUBJECT: MEETING OF SUB-GROUP ON OIL SHARING OF HIGH-LEVEL
GROUP OF OIL COMMITTEE, SEPTEMBER 11-12, 1973

PASS INTERIOR FOR EBEL

REF: USOECD PARIS 23307

1. SUMMARY: MEETNG ESSENTIALLY REPRESENTED FINAL STEP
IN PROCESS OF IDENTIFYING AND ANALYSING BASIC ISSUES
RELATED TO EMERGENCY OIL SHARING SCHEME AND SETTING OUT
PRELIMINARY GOVERNMENT POSITIONS. IT WAS VERY STRONGLY
AND WIDELY HELD VIEW OF GROUP THAT FOR NEXT MEETING,
NOW SCHEDULED FOR OCTOBER 11-12, DELEGATES SHOULD SEEK
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SUFFICIENT AUTHORITY AND FLEXIBILITY FROM THE APPROPRIATE

POLITICAL LEVELS IN THEIR GOVERNMENTS TO PERMIT SERIOUS NEGOTIATIONS. THE GROUP CONSIDERED THAT IT SHOULD MAKE EVERY EFFORT TO REACH A COMPROMISE AGREEMENT ON AT LEAST KEY ELEMENTS OF A SCHEME; IF MAJOR SUBSTANTIVE ISSUES LEFT FOR HIGH-LEVEL GROUP OR OIL COMMITTEE TO RESOLVE, DIFFICULTIES WOULD BE SERIOUSLY COMPOUNDED BY PRESENCE OF ADDITIONAL COUNTRIES. ACTION REQUESTED: CONSIDERATION OF SUGGESTION MADE IN PARA 8, BELOW. END SUMMARY

2. A FEW NEW ISSUES WERE IDENTIFIED DURING MEETING AND ANALYSIS OF OTHERS DEEPENED. OF PARTICULAR INTEREST WERE SUGGESTIONS BY FRENCH AND EC COMMISSION DELS OF VARIATIONS ON "VITAL NEEDS" BASIS FOR APPORTIONMENT WHICH WOULD MEET SOME OF CRITICISMS RAISED PREVIOUSLY. FRENCH DEL, SUPPORTED BY CHAIR AND OTHERS, SUGGESTED THAT FORMUAL FOR DRAWING LINE BETWEEN VITAL AND NON-VITAL NEEDS COULD DIFFER FOR EACH COUNTRY, TAKING ACCOUNT OF EACH COUNTRY'S PARTICULAR CIRCUMSTANCES. FOR EXAMPLE, HIGHERPERCENTAGE OF OIL FOR PRIVATE TRANSPORTATION MIGHT BE CONSIDERED VITAL FOR U.S. THAN FOR EUROPE.

3. EC COMMISSION DEL, ALSO SUPPORTED BY CHAIR, SUGGESTED THAT IN DEVELOPING FORMUAL FOR VITAL NEEDS IT MIGHT BE SIMPLER TO APPLY PERCENTAGES TO MAJOR PRODUCT CLASSES-- GASOLINE, MIDDLE DISTILLATES, AND HEAVY DISTILLATES-- RATHER THAN TO ECONOMIC SECTORS. ESSENCE OF APPROACH WOULD BE PRESERVED SINCE USE OF DIFFERENT TYPES OF PRODUCTS CLOSELY RELATED TO DIFFERENT TYPES OF ECONOMIC ACTIVITY.

4. AMONG OTHER ISSUES DISCUSSED WERE STOCKPILING, "SPECIAL ALLOCATIONS", DEFINITION OF "AVAILABLE OIL", AND PRACTICAL PROBLEMS IN DEVELOPMENT OF AN EFFICIENT TRIGGER MECHANISM.

5. TOWARDS END OF MEETING, CHAIRMAN INDICATED THAT IN HIS VIEW GROUP HAD SO FAR MADE A FAIRLY COMPLETE SURVEY OF ISSUES AND OF PRELIMINARY GOVERNMENT POSITIONS. IT WAS TASK FOR NEXT MEETING TO COME TO GRIPS WITH THE REAL ISSUES THAT DIVIDE GOVERNMENTS. FOR THIS, CONFIDENTIAL

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EACH DELEGATE SHOULD SEEK AUTHORITY AT THE APPROPRIATE POLITICAL LEVEL IN HIS CAPITAL, KEEPING IN MIND THE NEED FOR FLEXIBILITY. IT WAS PARTICULARLY IMPORTANT FOR THE INFORMAL GROUP TO REACH A COMPROMISE ON KEY ISSUES BECAUSE THIS WOULD BE MORE DIFFICULT IN HLG OR OIL COMMITTEE, WHERE PRESENCE ADDITIONAL COUNTRIES WOULD SERIOUSLY COMPLICATE THE TASK. A LARGE MAJORITY OF DELEGATES STRONGLY SUPPORTED THIS VIEW, BOTH IN THE

MEETING AND IN PRIVATE CONVERSATIONS.

6. IN ORDER TO PERMIT SUFFICIENT TIME FOR DEVELOPMENT OF ADEQUATE INSTRUCTIONS AND FOR PREPARATION OF DOCUMENTATION, SEPT 26-27 MEETING OF GROUP WAS CANCELLED. NEXT MEETING WILL TAKE PLACE ON OCTOBER 11-12. FOR THIS MEETING, RAPPORTEUR WILL PROVIDE SUMMARY OF DISCUSSION AT SEPT 11-12 MEETING, LIST OF POINTS OF AGREEMENT, LIST OF UNRESOLVED ISSUES, AND RESULTS OF COMPUTER ANALYSIS OF CONSEQUENCES OF VARIOUS CHANGES PROPOSED SO FAR IN A VARIETY OF HYPOTHETICAL OIL-SHORTAGE SITUATIONS.

7. AFTER OCT 11-12 MEETING, GROUP EXPECTS TO REQUEST RAPPORTEUR TO DRAW UP DRAFT REPORT; ATTEMPT WOULD THEN BE MADE TO AGREE ON FINAL TEXT AT LAST MEETING, NOW SCHEDULED FOR OCT 30-31. FINAL TEXT WOULD BE TRANSMITTED TO HLG OF OIL COMMITTEE IN TIME FOR ITS NOV 19 MEETING.

8. COMMENT: MEMBERS OF GROUP CONTINUED TO DISPLAY HIGH LEVEL OF INTEREST IN DEVELOPMENT OF WORKABLE EMERGENCY SHARING SCHEME. THE BASIC PROBLEM IN ACHIEVING AN ACCEPTABLE COMPROMISE APPEARS TO LIE BETWEEN U.S. AND JAPAN, OWING IN LARGE PART TO THE VERY GREAT DIFFERENCE IN THE DEGREES OF DEPENDENCE ON IMPORTED OIL OF THE TWO COUNTRIES. THE JAPANESE HAVE BEEN STANDING FIRM ON THE NEED TO AGREE ON ENERGY CONSUMPTION AS THE BASIS FOR APPORTIONMENT OF AVAILABLE OIL. PRIVATELY, THEY HAVE INDICATED A WILLINGNESS TO COMPROMISE, THOUGH WE SURMISE THEY WILL EXPECT CONSIDERABLE RECOGNITION ON OUR PART OF THEIR VULNERABILITY AS AN IMPORTER OF VIRTUALLY ALL THE OIL THEY CONSUME AND OF THEIR LIMITED POSSIBILITIES FOR SUBSTITUTION OF OTHER ENERGY SOURCES. THE EUROPEANS
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APPARENTLY CONSIDER THEIR POSITION IS SOMEWHERE IN MIDDLE GROUND BETWEEN U.S. AND JAPAN AND WOULD REGARD FAVORABLY U.S.-JAPANESE EFFORTS TO COMPROMISE. IN THESE CIRCUMSTANCES, WE BELIEVE THAT BILATERAL DISCUSSIONS BETWEEN JAPAN AND THE U.S. ON OIL SHARING, PREFERABLY BEFORE THE OCT 11-12 MEETING OF THE INFORMAL GROUP, WOULD BE HIGHLY DESIRABLE.
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